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Alberta ECONOMIC OUTLOOK

JANUARY, 1974

ALBERTA – PROVINCIAL AFFAIRS

Major Industrial Projects for Alberta, 1974

The Department of Industry and Commerce recently completed a survey of industrial projects currently under construction or proposed for 1974. An industrial project was defined as (a) an expansion of already existing facilities or (b) the construction of new industrial plants not associated with retail or wholesale trade, transportation or basic construction activities. In addition, only industrial projects with a total capital cost exceeding $100,000 were considered. The survey indicated that 116 projects were either under construction or proposed for 1974, which could involve over $4.5 billion in capital investment and produce an additional 7,900 permanent jobs in Alberta. Several of these projects however, will not be operational in 1974, thus the actual amount of capital expenditures and jobs created in 1974 will be somewhat less.

The survey was broken down by geographic region and industry group. The highlights of this breakdown were as follows:

Northwestern (North of Edmonton and west of Slave Lake)

34 projects involving capital expenditures of nearly $313 million which could create over 2,500 additional jobs, with the most significant developments occurring in the **Forest Products** industry where over $140 million could result and create an additional 1,600 jobs.

Northeastern (North of Edmonton and east of Slave Lake)

Although the number of projects is relatively small at 9, capital investment intended is nearly $1.5 billion, and the number of jobs created could amount to over 1,900, due primarily to the impact of the Syncrude Canada Ltd. project near Fort McMurray, estimated for completion by 1978.

Edmonton

Industrial projects number 23, capital invested could reach approximately $70 million and result in 1,800 additional jobs. Of most significance is the planned investment of roughly $600 million to develop the **Petroleum and Petrochemical** industries creating about 1,000 permanent jobs.

Central (Between Calgary and Edmonton)

Industrial activity is represented by 12 projects where up to $85 million could be invested, creating over 350 jobs. The main contributor is the **Manufacturing** industry where over $31 million in capital investment could create over 230 permanent jobs.

Calgary

Major industrial projects number 12, capital investment is estimated at approximately $20 million which should create approximately 216 permanent jobs. The **Manufacturing** industries represent most of this activity, with capital expenditures of over $19 million, resulting in an additonal 180 employees.

Southwestern (South of Calgary and west of Lethbridge)

12 projects involving just over $6 million investment will create 153 additional jobs. This amount is equally distributed between the **Agricultural Processing** and **Manufacturing** industries.

Southeastern (South of Calgary and east of Lethbridge)

A considerable amount of industrial activity is indicated by 15 projects which could involve over $2 billion in investment and result in over 900 additional jobs. Investment to develop the **Petroleum and Petrochemical** industries in this area could amount to over $1 billion creating over 650 additional permanent jobs.

The survey indicates that industrial investment in Alberta will be used mainly to develop the **Petroleum and Petrochemical Products** industries (at over $4 billion), **Forest Products** industries (at over $140 million) and **Manufacturing** industries (at over $117 million).

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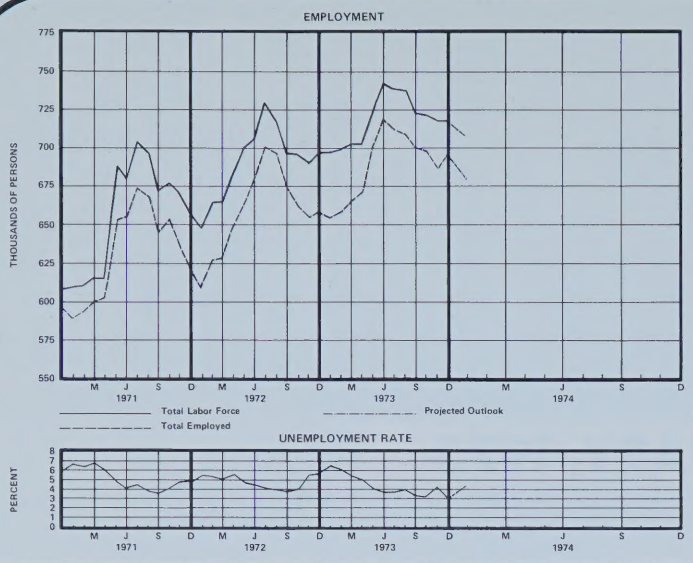
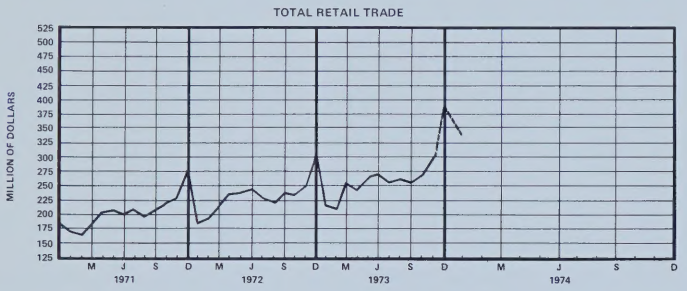
Alberta
INDUSTRY AND COMMERCE



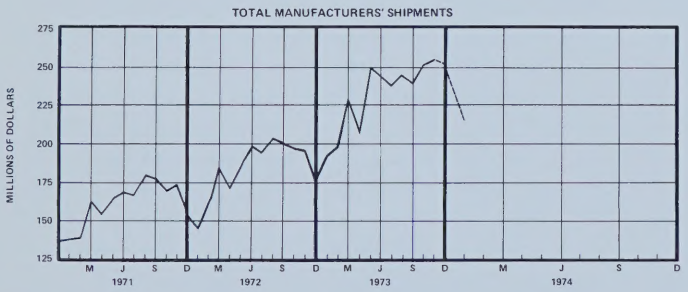
EMPLOYMENT

Unemployment which usually increases in the November to December period, declined from November, 1973 to December, 1973 by 7,000 persons to 22,000, resulting in an unemployment rate of 3.1 percent. The December 1973 unemployment rate was 2.1 percentage points lower than one year ago, and the lowest rate achieved for a December since 1969. Buoyant employment in the construction and trade sectors mainly accounted for the unusually large increases. For January, 1974 the labour force is expected to be approximately 710,000, with the total employed and unemployed at 679,000 and 31,000, respectively. Prospects for February are for slight gains in the labour force and total employed, with a decline in the numbers unemployed.



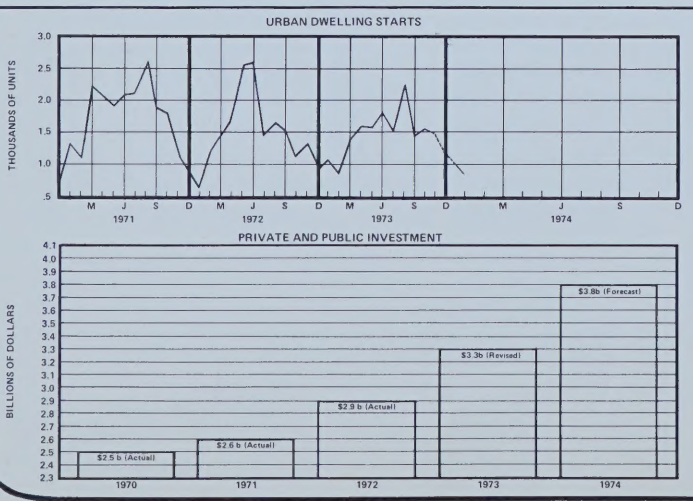
RETAIL TRADE

To the end of October, retail trade in Alberta totalled $2,493 million, an increase of 12.5 percent over the same period in 1972. November's preliminary total of $300.9 million was over 18 percent higher than during November, 1972, and raises the total thus far for 1973 to 13.1 percent above that of 1972 or to $2,794 million. December's revised forecast should now reach over $390 million, bringing the 1973 forecast total to over $3,183 million. Prospects for January, 1974 indicates a total value of trade at approximately $241 million.



MANUFACTURING SHIPMENTS

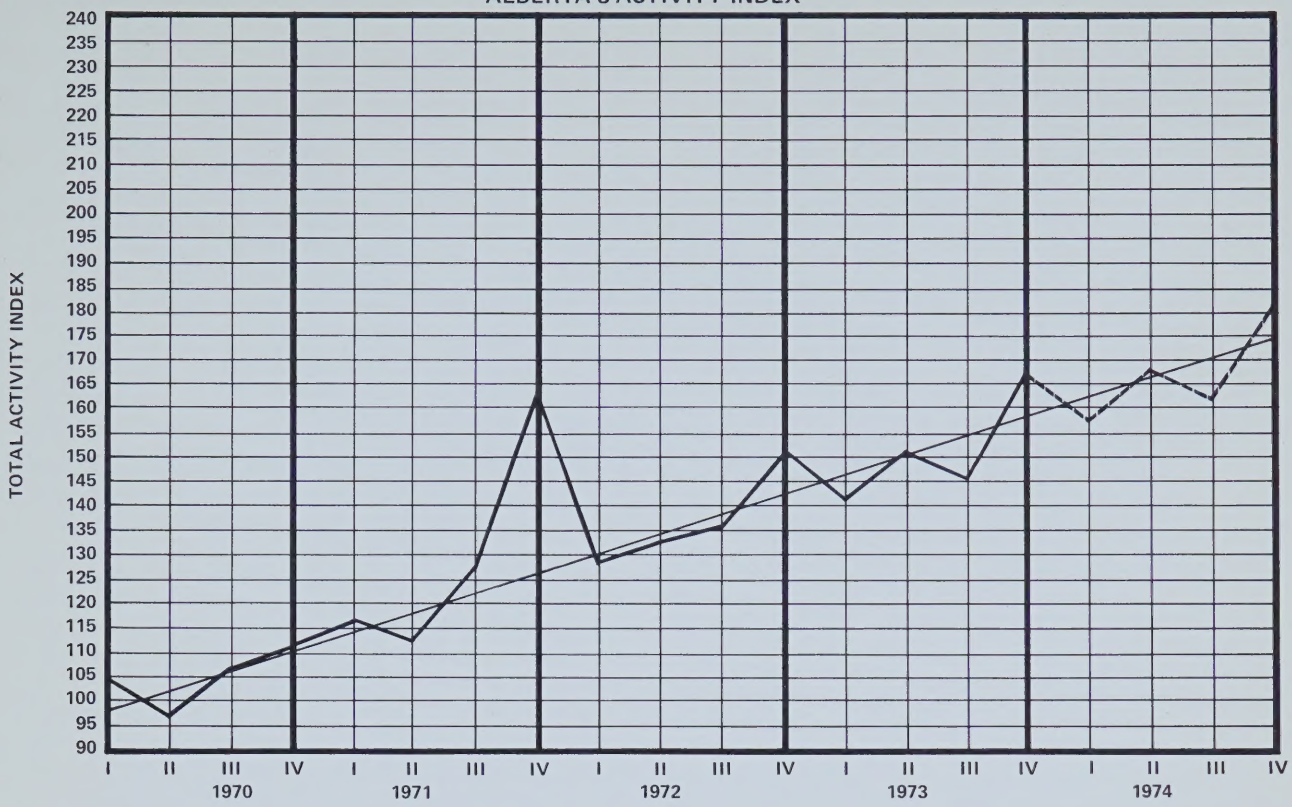
To the end of October, total shipments were valued at $2,303 million, an almost 20 percent increase over the same period in 1972. November's total of $252 million was almost 26 percent higher than November, 1972 and raises the total for 1973 to $2,559 million, a 20 percent increase over the 1972 figure. December's forecast should now reach $253 million bringing the 1973 forecast total to over $2,808 million. Prospects for January, 1974 indicates a value of approximately $216 million.



HOUSING

Urban dwelling starts in November totalled 1488, an increase of 9.4 percent from November, 1972. To the end of the first 11 months of 1973, total starts amounted to 15,831, over 9 percent below the same period in 1972. A revised forecast for December indicates about 1,170 starts giving a yearly forecast total of 17,003, a decline of over 7 percent from 1972. For January, 1974, the number of starts should be approximately 900, and the forecast for the first quarter of 1974 is expected to be about 2800. Our preliminary forecast for 1974 calls for a slight increase in total starts to approximately 17,077.

ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

	Percentage Change in Volume Activity		
	Total Year	Total Year	Year to Date
INDICATOR	1971 - 1970	1972 - 1971	1973 - 1972
MANUFACTURING			
Slaughtered Meat Production	+13.6	+ 3.3	- 1.9 (Jan. – Nov.)
Slaughtered Meat Exported	+12.6	+ 5.3	- 0.4 (Jan. – Nov.)
Refinery Production	+10.7	+21.4	- 1.0 (Jan. – Oct.)
Cement Production	+ 4.5	+ 3.5	+ 6.8 (Jan. – Nov.)
MINING			
Oil Production	+ 9.4	+20.8	+21.6 (Jan. – Oct.)
Gas Production	+10.1	+16.8	+ 5.0 (Jan. – Oct.)
Footage Drilled	+ 1.8	+21.9	+35.4 (Jan. – Oct.)
Number of Wells Drilled	+ 9.6	+13.1	+45.4 (Jan. – Oct.)
Coal Production	+31.7	+14.1	0 (Jan. – Oct.)
CONSTRUCTION			
Urban Dwelling Starts	+54.0	- 15.4	- 9.2 (Jan. – Nov.)
Rigid Insulation Board Shipments to Alberta	+15.6	+ 5.9	- 4.5 (Jan. – Nov.)
Metal Shapes Shipments (Est'd)	- 4.0	+ 7.6	+11.0 (Jan. – Oct.)
AGRICULTURE			
Grain Shipments	+ 8.8	- 2.9	- 16.4 (Jan. – Dec.)
Livestock Marketed	+15.1	- 1.6	- 6.7 (Jan. – Nov.)
Farm Cash Receipts	+ 9.8	+14.0	+36.1 (Jan. – Nov.)
FORESTRY			
Lumber Production	+ 6.1	+16.0	+34.9 (Jan. – Nov.)
Lumber Sales	+34.7	+ 5.7	+17.1 (Jan. – Nov.)
Lumber Exports	+26.5	+24.7	+ 2.0 (Jan. – Nov.)
Pulpwood Production	- 34.9	+47.8	+41.4 (Jan. – Nov.)

UNEMPLOYMENT RATE (Unadjusted)	DECEMBER 1973	NOVEMBER 1973	DECEMBER 1972	NOVEMBER 1972
Canada	5.5	5.0	6.5	5.9
Alberta	3.1	4.0	5.3	5.1
CONSUMER PRICE INDEX (1961 = 100)				
Calgary–Edmonton	146.8	145.9	135.8	135.3

Survey of Executive Opinion

Based on preliminary results from the 1974 "Survey of Executive Opinion," Alberta's economy has experienced exceptional growth in 1973, far beyond what was initially expected.

In comparing what was expected for 1973 and the actual result, all leading indicators were substantially above the initial predictions. The percentage of firms experiencing increases in sales revenue, prices, profits, capital spending and employment were all above those which initially predicted increases in 1973, with the most significant differences occurring in prices, profits and sales revenues.

On an industry basis, all industries experienced a better year in 1973 than was originally expected, with the greatest differences taking place in the **Forestry, Agriculture** and **Communication, Transportation and Utilities** industries. Those who operated in 1973 most closely to their predictions were the **Trade, Construction** and **Petroleum and Natural Gas** industries. By far the most unexpected change which occurred in 1973 were the large price increases reported by the agricultural, forestry and manufacturing firms in the province.

The economic outlook for 1974 still remains optimistic with most firms expecting a similar rate of expansion as was the case in 1973. Inflation will continue to persist in the coming year growing at perhaps an even higher rate, but the unemployment rate should remain at roughly the same value or with some slight improvement. The most common comment so far in the survey is the concern over a tightening of supplies of most raw materials and the difficulty in hiring qualified personnel.

ALBERTA – BUSINESS OUTLOOK

The economic outlook in the U.S.A. for 1974, while not exactly rosy, would seem to have improved since last month. The main reason for the change is the 700,000 barrels of oil a day which appears either to have been leaked through the Arab embargo or diverted by the oil companies to the U.S. from other destinations. The U.S. administration now believes that the daily shortfall of oil can be held to 800,000 barrels per day as a result of economy measures and a fall in demand brought on by higher oil prices and a slowdown of the economy. In addition **Business Week** reports that oil stocks have been building up by 1.5 million barrels a day to a level which should cover any eventuality in the coming year. **Business Week** quotes Assistant Commerce Secretary Sidney Jones as saying that the oil embargo "is no longer a serious economic threat."

The **Argus Weekly Staff Report**, which has been consistently optimistic about the effects of the oil embargo on the U.S. economy and about early agreement in the Middle East is now predicting that real G.N.P. will grow by 1.2 percent in the first quarter, accelerating to 1.6 percent in the second, 2.9 percent in the third and 4.3 percent in the fourth. This forecast is based on the assumption that oil will begin flowing at pre-embargo rates by the beginning of the second quarter of this year. In view of the recent settlement between Israel and Egypt this appears quite possible.

Short term interest rates in the U.S. are expected to fall in the first half of 1974 but will rise again towards the end of the year. Long-term rates will be relatively stable.

The O.E.C.D. in its latest **Economic Outlook** has summarized the 1974 outlook for the Canadian economy as follows. It foresees that business investment and private consumption will provide buoyancy during 1974. Strong export demand in conjunction with an improvement in export prices relative to import prices will probably lead to the closing of the current balance of payments deficit. In the absence of significant and prolonged oil cuts they anticipate that real GNP will grow at 5½ per cent, a rate compatible with the potential rate of growth. This implies little change in the employment situation.

In commenting on inflation, it notes that although food and commodity prices have recently tended to stabilise, wage settlements have begun to accelerate in response to a deterioration in real wages which accompanied last years high rate of inflation. A new surge in the price-wage spiral can therefore be expected.

Unit wage costs can be expected to rise both as a result of wage increases and a declining rate of productivity growth. However the Canadian performance in unit labour costs should still be better than that expected in other major O.E.C.D. countries including the U.S.A.

Publication

The Department of Industry and Commerce has recently printed a pamphlet entitled **A Guideline for Attracting New Industry**. It is designed to provide communities with advice on how to attract industry. Copies can be obtained from: Regional Services Branch, Alberta Industry and Commerce, 1529 Centennial Building, Edmonton, or in their offices at Peace River, Grande Prairie, St. Paul, Lacombe, Calgary, or Medicine Hat.

Economic Research and Analysis Branch
Alberta Industry and Commerce
1629 Centennial Building
Edmonton, Alberta
T5J 0H4

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